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Bulgaria

Agricultural Situation

The effect of 2005 floods on the agricultural sector 2005

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Report Highlights:

In 2005, Bulgaria has gone through one of its most serious natural disasters in recent memory during the period May-August. Fields, orchards and gardens were flooded and public infrastructure was destroyed. Quality of most agricultural products deteriorated, production declined and posed a need for some imports. To date, losses in the crop sector only were estimated at \$43 million.

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Summary	3
Lost planted areas.....	3
Reduced yields and total production.....	4
Deteriorated quality	4
High production cost	5
Loss in the livestock sector	6
Effect on the food industry.....	6
Public expenses	7
Effect on consumers' income	7
Infrastructure	7

Summary

This report contains information gathered by the AgOffice and based on official and industry sources, and own countryside trip observations.

In 2005, Bulgaria has gone through one of its most serious natural disasters in recent memory during the period May-August. A number of homes, roads, railways, bridges, and dikes were damaged. Most of the damage occurred in western Bulgaria. However, the whole country was negatively affected by heavy rains and adverse weather with quickly and widely changing temperatures. Agriculture was among economic sectors which were the most seriously hit.

The negative effect of adverse weather on the agricultural sector is difficult to measure. As of today, the Ministry of Agriculture estimates the losses at 69 million leva (\$43 million) which includes only the value of lost agricultural output from the fields, gardens and orchards and does not include losses in rural and irrigation infrastructure, livestock sector, potential lower crop exports, needs for imports of raw materials for the food industry, and finally lower farmers' income.

Regions which were the most seriously hit were Blagoevgrad, Vratza, Montana, and Sofia (all in western Bulgaria); Bourgas, Plovdiv, Pazardjik, and Chaskovo (in southern Bulgaria); and Pleven, Stara Zagora, and Yambol (in central Bulgaria).

As of August 2005, the MinAg is not ready yet with its plan how to compensate farmers in the affected regions. Efforts are currently targeted at reconstruction and restoration of public infrastructure such as irrigation systems and rural roads. The majority of farmers did not insure their agricultural businesses, thus they will not be eligible for private insurance compensations. Most likely, the State Fund Agriculture will allocate additional state funds to compensate farmers. Regardless of the exact compensation program, all farmers will suffer from a significant reduction in their profits and income.

Below is a short description of the major negative effects of floods and heavy rains on the agricultural sector.

Lost planted areas

Lost planted areas of wheat, barley, corn, sunflower, tobacco, vineyards and vegetables reduced the harvested areas and production of these crops.

The Ministry of Agriculture carries out regular assessments of the size of flooded agricultural land – fields, gardens, and orchards.

As of August 22, total 93,910 HA were reported to be damaged of which completely lost were 68,200 HA. This translates into a lost crop for 69,834 million leva (\$43 million). As a result of floods in the period August 5-12 only, total 14,200 HA of planted areas were lost. Overall, the damages on agricultural land are in the range of 5% to 50%. In selected regions (Bourgas, Pernik, Pazardjik, Sofia and Plovdiv), damaged agricultural land is between 80% and 100%. The damage on vineyards was reported to be from 20% to 80% on various grapes varieties by regions. The most affected were regions of Rouse, Pleven, Sliven, Montana and some vineyards around Plovdiv, Bourgas and Varna.

Crop	Seriously damaged agricultural land, HA	Including completely lost crop area, HA	Lost area as a percent of total planted area, %
Wheat	37,000	31,800	3.0%
Sunflower	21,400	11,700	1.9%
Corn	6,900	5,400	1.8%
Vegetables	3,900	2,400	4.7%
Tobacco	2,500	1,400	3.3%
Vineyards	4,200	2,500	2.9%
Source: Ministry of Agriculture			

Reduced yields and total production

Reduced yields resulted in lower total production of grains, grapes, fruits and vegetables.

Yields of almost all crops (excluding corn and sunflower) were reduced due to adverse weather. In addition, harvest losses for wheat and barley increased since heavy rains led to lodging of grains, thus affecting yields and final harvest results.

As a overall result of adverse weather, experts decreased their initial wheat and barley production estimates by 10-15 percent. Most analysts agreed that MY05/06 fall crops output was by 20-25 percent down compared to MY04/05. For example, official wheat production estimates were reduced from 3.6 MMT to 3.3 MMT or a loss of 0.3 MMT; barley production estimate was reduced from 900,000 MT to 550,000 MT or a loss of 350,000 MT.

If current market prices are used (\$100/MT for wheat and \$110/MT for barley), it means a loss of \$30 million for wheat and \$38 million for barley or total \$68 million.

For fruits and vegetables, yields were down due to rotting or inability to reach maturity. Often, producers decided not to harvest at all since harvest cost was higher than expected proceeds. Similar was the situation with vineyards. According to the Wine and Vine Chamber, grapes yield will be 40% lower than the average for the past several years. Estimates for the 2005 crop are for 150,000 MT of grapes compared to 208,000 MT in 2004 or a reduction in total output of 28%.

Deteriorated quality

Deteriorated quality of most crops led to lower farm-gate prices (and farmers' income), shorter supply of quality raw materials for local food processors and lower competitiveness of Bulgarian exports.

Grains: The rains lowered the gluten content and hectoliter mass in wheat which deteriorates its milling quality and suitability for bread purposes. Although official data is not available yet, industry sources indicate that milling quality wheat is not more than 40% of all harvested wheat, while gluten content varies from 16 to 22-25 upon a standard of 22 for baking purposes.

According to traders, Bulgaria will be exporting mainly feed quality wheat this year and export prices (and thus, farm-gate prices) should be low in order to compete in the Black Sea region where Russia and Ukraine enjoy higher grain supply and better quality.

Feed wheat prices have already declined from 150 leva/MT (\$93.7) to 120-140 leva/MT (\$75-\$87.5/MT) in August and prospects for any increase in the near future are bleak. At the same time, shorter supply of milling quality wheat have pushed its price upwards which led to higher prices of wheat flour and bread by 5% to 10%. According to milling industry sources, flour mills are likely to import so called "improvers" or extracted gluten in order to make worse quality wheat suitable for bread purposes.

The quality of barley is also generally low, and breweries have difficulties finding and purchasing sufficient quantities of malting barley. Most likely, they will be forced to import small quantities of malting barley from France or from the region at a higher price.

Vineyards: Heavy rains seriously hit grapes quality. Due to cool weather, the sugar content will be lower. In situation of shorter supply of grapes and deteriorated quality, wine manufacturers will have difficulties to pay higher prices for poor raw material. Most likely, it will affect the volume and quality of 2005 wines.

Fruits and vegetables: Practically all fruits were negatively affected by rains. Supply of local cherries, peaches, strawberries, etc. was limited and prices are higher since most fruits rotted in the fields or on the trees. There is still some positive expectation for apples and pears, however, they are currently suffering from various diseases like rusts, mildew, and other fungi and require additional plant protection treatment.

High production cost

Higher expenses related to the late harvest, short harvest time, drying of grain, and higher plant protection chemicals use due to outbreak of diseases, rodents and weeds, led to high production cost.

Harvest campaign: Floods and heavy rains caused a delay in grain harvest by about three weeks. As of July 20, only about 60 percent of barley was harvested, and for wheat the average rate was about 10 percent (industry data). Usually, barley harvest is completed by early July, and wheat harvest is completed by early August. Delay in harvest seriously affected both the output and the quality of grains. In some fields, wheat and barley have germinated due to rains during harvest. About 6,000 combines were used in the harvest campaign upon a need for at least 30 percent more.

Diseases: The outbreak of various diseases on crops, fruits and vegetables is one of the biggest concerns for ag producers. The Plant Protection and Quarantine Office of the MinAg was regularly issuing recommendations to farmers what type of chemicals to be used for various diseases. The most affected crops were tomatoes, potatoes, cucumbers, tobacco, and vineyards. The most often reported diseases were various rusts, powdery mildew, and various fungi.

For the first time for the last 35 years, wheat was hit by fusarium. It has been found in north-east and north-central Bulgaria. According to the National Grain Agency, the highest tested percent of fusarium was 6% on lots from the fields which were not cleaned before testing. In Dobrich area, the grain basket of the country, reportedly, a damage up to 5% was found on 50% of the wheat area, in 40 percent of area, the disease damage was up to 7-8 percent; and 10 percent of wheat area was affected with up to 10 percent damage. Most traders and farmers agree that the picture is very mixed and the disease presence varies widely by regions. Currently, Bulgaria does not test for the content of fusarium but only for the percent of affected seeds. Such tests are not made if not specially requested.

Since the affected wheat is not be suitable for either human or feed consumption (contains toxins), farmers plan to destroy those quantities which are most seriously affected and to try to reduce the risk by additional mechanical, chemical, and cleaning operations which further increases the production costs.

Other wheat quality issues were related to diseases such as powdery mildew (reportedly on 10-50 percent of the fall crops area depending on the region), yellow and brown mildew, and rusts (reportedly on 10-25 percent of the fall crops area). Ceptoriosis have been reported on average 3-5 percent of areas reaching 10%-20% in some regions (Pleven, Turnovo, Svishtov).

Pests: In addition to various diseases, the last MinAg survey showed higher population of rodents (mice) in north-east Bulgaria, around Dobrich, Varna, Shoumen, Silistra, Rousse and Turgovishte. The main reason for higher mice population was the availability of fresh and juicy food on already harvested grain fields as well as on alfalfa fields.

Weeds: Weeds are another significant problem for sunflower, corn and all vegetables. Again, higher use of herbicides is being applied in order to prevent cleanness of the product and to be able to keep the yields higher.

Wet grain stocks: There are attempts to monitor the amount of grains stocks which are not properly stored, and thus affected by rains. The most recent official data shows 7,500 MT of wet grains in Bourgas-Sliven area, however, the actually affected and still non-reported wet grain stocks are much higher. Due to lack of sufficient and appropriate on-farm storage, many farmers will be forced to use rented storage which will increase their production cost.

Extra high moisture (15%-16% or higher) of harvested grains was reported unanimously. Farmers confirm that almost all harvested wheat should be dried. Available grain dryers are operating and purchases of new dryers were reported. In the area around Turnovo, for example, 40 dryers are fully operating and 3 new ones were purchased recently.

Loss in the livestock sector

The damage in the livestock sector was not so significant if compared to the field crops. According to the MinAg data, total number of lost livestock is 267 pigs; 426 beehives; 124 sheep; 2,407 poultry; and 6,000 pheasants.

Currently, all animals are burned at "Bramas 96" incinerator in Shoumen. Bulgaria has only two incinerators (in towns of Shoumen and Varna) which were not prepared to run at an extra capacity. Additional funding has been allocated to support this activity. Still, a large number of death animals will be simply berried which increases the risk of various infections.

The meat processing facilities are currently exercising a more stringent control on incoming raw materials in a fear that meat from death animals can somehow access the food chain. The state veterinarians and food safety experts also put extra efforts to control farmers' markets, retail outlets and food service outlets in order to secure the safety of the meat supply.

Effect on the food industry

The lack of sufficient supply and of lower quality crops and vegetables is already raising the issue of potential imports of some products. The most seriously hit will be the canning factories and wine manufacturers. It is questionable if these industries will prefer to import more expensive raw materials or will shrink the scale of their operations this year. In case of

flour mills and breweries, imports of wheat gluten and small quantities of high quality wheat and malting barley is most likely.

Public expenses

The country used extra resources in public administration to monitor losses and to prevent outbreak of diseases and infections.

The MinAg created a special natural disaster emergency response center which was monitoring the losses in the agricultural sector and was providing guidance to various agencies in the MinAg on their response actions.

A special attention was given to the management of irrigations systems and dams administered by the MinAg due to big scale economic and social effect of floods, in most cases, a result of poor management and lack of state control on water balance in dams.

As of August, the MinAg estimates the damage in the irrigation systems at 31 million leva (\$20 million). Most of irrigation infrastructure was built in 50-60s, and has been highly neglected in recent years.

In the veterinary area, total over 900 veterinary doctors were monitoring situation, checking and estimating losses, inspecting retail outlets and food processing facilities in order to secure safe food supply. Similar was the situation in the plant protection office where regular observations and recommendations for herbicides/fungicides use were prescribed to farmers in an effort to prevent further drop in quality and yields. At many places, spraying against various pests (mosquito, flies, and other) was applied. The Forest Service was also mobilized to clean roads, rivers, bridges etc.

Effect on consumers' income

Possible increase in prices of certain foods leads to higher consumer expenses and lower disposable income.

Currently, higher consumer prices are reported and officially registered for wheat flour, bread, and most fresh fruits and vegetables. It is estimated that prices of processed fruits and vegetables will also be higher.

In addition, most rural and small town households lost their traditional and most important source of in-kind income – production from the private gardens and livestock. They will not be able to produce the traditional home prepared food for the winter such as home made dairy products, meat, canned vegetables and fruits. This type of consumers who are usually not buying from the commercial outlets, will exercise additional pressure on consumer demand this year and may, in turn, also contribute to higher consumer prices.

Infrastructure

Destroyed public and private infrastructure has already resulted in higher transportation and logistic expenses.

According to the National Forests Service to the MinAg, 121 kilometers of forest roads, 273 bridges, 201 anti-erosion facilities, and 19,000 cub.m. of river deposit bars were destroyed. The total value of these losses (without roads) is estimated at 3.1 million leva (\$1.93 million). The regions most seriously hit were Sofia (0.9 million leva loss); Smolian (0.7 million leva); Blagoevgrad (0.3 million leva) and Pazardjik (0.2 million leva).

It has been estimated that the country will need one to two years to be able to restore all destroyed roads, irrigation equipment and facilities, warehouses and other public infrastructure.